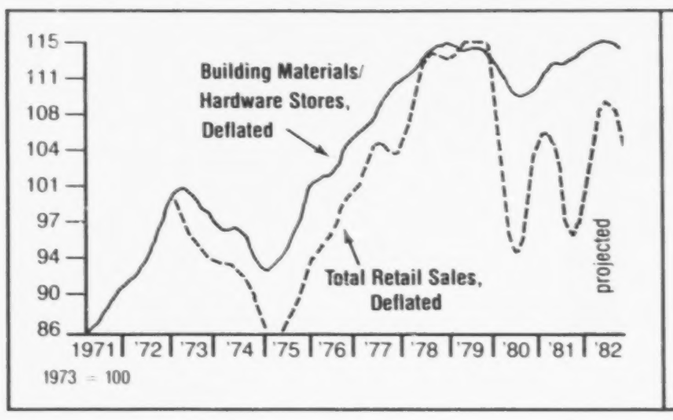
L/F ECONOCYCLE

See spring 'pickup' in DIY activities



Building Materials & Hardware

	Sales Change By Quarter '80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81 1Q %	'81 2Q %	'81* 3Q %	'81* 4Q %	12-Month % Change '79 %	'80 %	'81* %
Sales include Inflation	7.2	8.4	9.4	1.5	8.4	15.2	7.8	0.6	12	3.2	8.0
Real sales (Deflated)*	2.6	17.6	18.5	10.4	1.2	6.0	0.5	6.1	4	12.0	0.3

Base = July 1981 Sales
*Projected

Recent braking trends in sales, coupled with major revisions in the latest Government statistics, now point to a slower rate of general sales velocity in 1981 overall than forecast previously.

Total retail sales will probably match or edge slightly above 1979-80 levels, the latest Econocycle computations reveal.

As a result, the L/F spending indicator (below) is also pegged lower than projected earlier in the year. But there still appear to be strong signs that consumer confidence—spiked by just initiated tax rebates—will pick up in 1982, at a steady, but slower rate-of-growth.

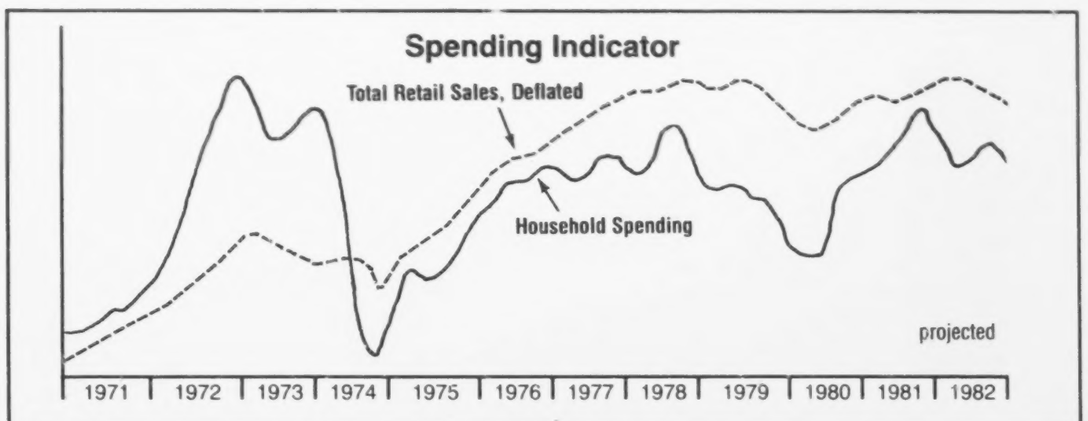
Total retail sales gains are expected to edge up about 2% over the next two months. This will depress the final quarter gains of 4% that were originally expected, according to the latest forecast computations.

The L/F Econocycle projection is for a slow recovery of general home improvement sales early next year. Sales activity could start nosing up during the winter months and may climb above 1977-81 peaks (but not to all-time '78-'79 highs).

This coincides with a rise in housing starts that's expected to pick up around mid-1982—a recovery L/F forecasts are now calling "comparatively sharp" and well through the year ahead.

This compares to other retail sectors where the short-term outlook continues "spotty" through the balance of 1981:

- Department stores should roll up a solid 3% to 4% increase through year-end; apparel specialists, 2%-3%.
- Discount store indicators, on the other hand, are softening, leading to a mild drop-off in the final period.


Spending Indicator
Total Retail Sales, Deflated
Household Spending
projected
1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982

Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.0	10.3	9.3	– 8.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	– 9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.2	– 1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q	10.2	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	12.3	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q*	9.4	8.7	9.0	7.8	7.9	2.7	7.3	9.4	7.5
	4Q*	7.4	7.6	7.1	0.6	4.5	1.6	5.5	6.1	5.0
% change 12 mos.	1979	11.0	12.0	13.0	12.0	11.0	15.0	6.0	9.0	10.0
	1980	7.0	11.0	9.0	– 3.2	12.0	5.0	5.0	6.0	5.0
	1981*	10.0	9.0	9.0	8.0	8.0	5.0	8.0	9.0	8.0

Real Sales (Deflated)
% Change By Quarter

1980	1Q	– 1.2	5.8	0.0	– 2.6	3.8	4.9	– 1.4	1.9	1.8
	2Q	– 5.0	4.9	– 0.1	– 17.6	2.0	– 3.4	0.5	– 2.4	– 2.0
	3Q	– 4.2	2.0	– 0.9	– 18.5	0.5	– 5.8	– 0.2	– 3.4	– 3.3
	4Q	– 2.9	– 0.6	– 1.8	– 10.4	3.9	– 1.1	1.5	– 2.0	– 1.1
1981	1Q	0.7	– 1.4	– 2.1	– 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.3	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q*	1.9	1.6	0.7	0.5	– 1.0	– 3.0	3.5	3.6	2.1
	4Q*	1.8	4.6	0.5	– 6.1	– 2.9	– 4.9	2.8	1.2	0.2
% change 12 mos.	1979	1.0	2.0	2.0	4.0	4.0	9.0	3.0	3.0	4.0
	1980*	– 3.0	3.0	– 0.7	– 12.0	2.0	– 1.0	0.1	– 1.0	– 1.0
	1981*	2.0	1.0	0.3	– 0.3	– 0.9	– 0.7	4.0	3.0	2.0

Base = July 1981 Sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Department of Commerce.

Where an *Index Base* is indicated, the data is converted to index numbers, starting from a common base (= 100) in order to establish meaningful performance comparisons.

Financier firms raise holdings in Evans, Diamond

NEW YORK—Two companies controlled by prominent financiers continue to raise their holdings in firms with home center interests.

Sharon Steel, run by Victor Posner, its president, chairman and chief executive officer, increased its stake in Evans Products, operators of Moore's, Grossman's, Lindsley, Alamo Enterprises and Hubbard & Johnson, to 41.9%. The company owns 5,170,200 Evans shares through the recent purchases of 477,700 shares for about $11.6 million.

A Securities and Exchange Commission filing indicated that Sharon Steel's acquisition of Evans shares is for investment purposes.

Cavenham Holdings, a subsidiary of Generale Occidentale S.A. of which Sir James Goldsmith is chairman and ceo, has hiked its interest in Diamond International to 40.7% recently by purchasing 1,645,828 shares of Diamond common at about $42 a share.

The purchases increase Cavenham's holdings in Diamond, which operates about 120 home centers nationwide, to 5,579,271 shares.

STOCK PRICES

Companies with predominant home center sales

	As of 10/21	As of 10/28
Lowe's (NYSE)	20¼	20¼
Payless Cashways (NYSE)	17¼	18¾
Scotty's (NYSE)	20	19

Over-the-counter stocks

	As of 10/28 Bid	Asked
Erb Lumber	11¼	12¼
Hechinger	16	16⅜
The Home Depot	15¾	16
Pay 'N Pak	13¾	14⅛
Wolohan Lumber	3⅜	3⅝

Companies with significant home center sales

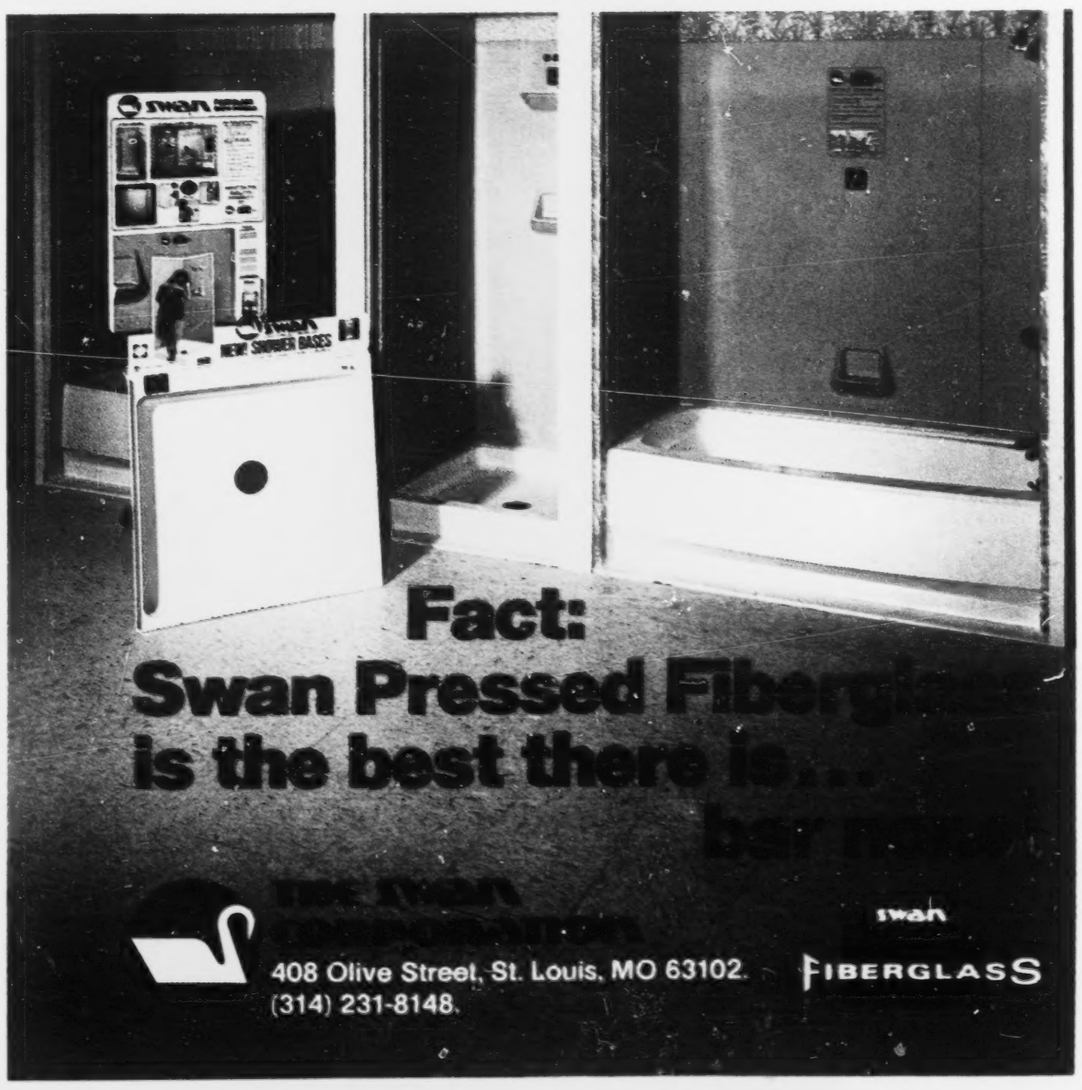
	As of 10/21	As of 10/28
Action Industries (AMEX) [Action Home Centers]	3⅛	3
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	8⅞	9⅝
Boise Cascade (NYSE)	31⅜	31⅝
Cyclops (NYSE) [Busy Beaver]	29⅜	27¾
Diamond Int'l (NYSE)	29½	29⅞
Edison Brothers (NYSE) [Handyman, Homer's]	27	27
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	20⅝	20⅜
Forest City (AMEX)	14¼	14
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	44⅛	45¼
Interco (NYSE) [Central Hardware]	47⅝	48
Peavey (NYSE) [Fish, Peavey Thunderbird]	25½	24⅜
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	19⅝	18⅞
Supermarkets General (NYSE) [Rickel]	18⅝	18¼
Union Camp (NYSE) [Homecrafters]	47⅞	47½
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	10¾	11

If you're stocking "good, better, and best" in tub surrounds, we can give you the *best.*

A lot of people are making tub and shower surround systems today. Some are good, others are better. If your looking for the best in the business, the choice is simple. Swan.

Swan pressed fiberglass tub and shower surrounds are the best because of the way they're made. Multi-ton presses mold each panel to form a sturdy, uniformly-thick panel which cannot crack or wear out. A smooth, colorful, high-gloss finish is then baked on to make Swan panels not only the strongest, but the most beautiful as well.

Swan also offers an attractive merchandising program to let your customers know just how good our products are. We're not bragging, we're just relating the facts. If you would like some more facts about Swan pressed fiberglass products, contact your distributor or write Swan today.



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Handy City shake-up: Lansdale in, Pliner out

Denny moves fast at W. R. Grace

By Wyatt Kash
NHCN executive editor

DENVER—Frank Denny is not a man prone to wasting time.

Within hours after learning Bob Pliner was leaving Handy City, Denny had tracked down Handy Dan vice president Daryl Lansdale in the suburbs here, to discuss the details of a new assignment in Atlanta.

Three days later, Lansdale had sold his home in Kansas City, and headed south to take charge of W. R. Grace's 53-unit Handy City operation.

Time, it would seem, is about the only thing Frank Denny may never be able to conquer. He's working on it though.

At the age of 47, Denny has survived from among a handful of home center industry founders to become president of the No. 1 ranked home center empire in the country—that of W. R. Grace.

He admits it still is a little difficult getting used to the idea that he is running what promises next year to be a billion dollar home center operation.

"It's always been a challenge to take on the next level of responsibility—to see if you can really do it," Denny said recently, thinking back on his climb through the management ranks of increasingly larger retail operations.

He began that climb in 1953, with the same hectic pace he maintains today: attending classes at night, while working for a lumber wholesaler, and later a millwork supplier, during the day.

After graduating from Rutgers University, Denny decided in 1958 he was tired of living in New Jersey, where he was born and raised, and opted to take his young family and head west to California.

For awhile, he bought close-out lots of lumber for Angels, which operated then as a discount outlet. Three years later, he had become partners with Angels' owner, Sid Klein.

From there, he moved rapidly, building Angels into a four-unit chain; working as a consultant with John Markley in converting an El Paso lumber yard into what is now the Cashway Home Improvement chain; and, during the past decade, rising to the top of Handy Dan, and its parent company, Daylin, before

(Continued on page 82)

Chain prez, 2 financial officers resign

ATLANTA—Handy City president, Robert Pliner, and two financial officers, have resigned suddenly, following questions over financial reports to Handy City parent, W. R. Grace.

Officials at Grace in New York immediately appointed Daryl L. Lansdale, a 41-year-old regional vice president of Grace's Handy Dan chain, to replace Pliner as president and chief executive officer of the 53-unit chain.

Replacing Harvey Masyr, vice president and chief financial officer at Handy City, is Thomas J. Klimback, 33, who had been serving as vice president, financial planning and analysis at Channel Home Centers, the 89-unit Whippany, N.J., chain also owned by W. R. Grace.

The duties of former comptroller, Wayne Landman, who also resigned, will be assumed by Wes Garvin, who remains manager of financial analysis, according to chain sources.

Meanwhile, Bob McNulty, who had left his Grace post as executive vice president of Angels to work on special assignment for the home center division (*NHCN*, Nov. 9), now has been reassigned to Kansas City, to take over for Lansdale.

The management shake-up at Handy City occurred when a recent review of the chain's financial reports showed an apparent failure to comply with internal Grace reporting procedures, according to Frank Denny, president of W. R. Grace's home center division.

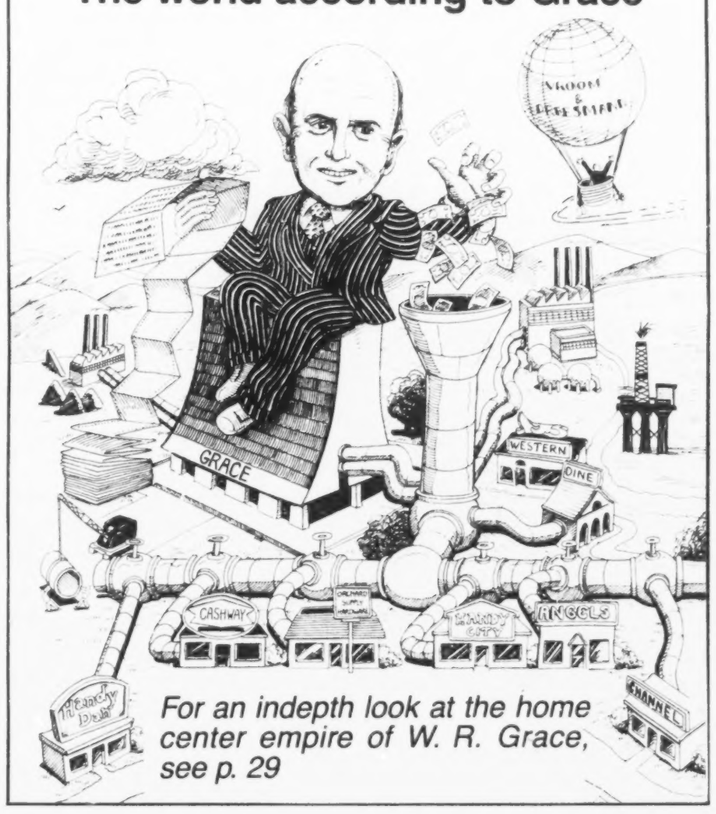
NHCN has learned from reliable sources that adjustments to correct the reports resulted in a greater pretax loss than had originally been reported for the chain last year.

Grace officials would not reveal any figures, but several sources close to Handy City concurred that the actual loss, before taxes, was close to $3.5 million.

An executive at W. R. Grace insisted the inaccuracies in the reports were in no way an attempt for personal gain, but rather the result of not adhering to Grace reporting guidelines.

(Continued on page 4)

The world according to Grace



For an indepth look at the home center empire of W. R. Grace, see p. 29

Daryl Lansdale, who was regional vice president for Handy Dan's Midwest stores, has been tapped by Frank Denny to replace Bob Pliner as president of Handy City.

imported tool mfrs. invade U.S.

By John Caulfield, *NHCN field editor*

NEW YORK—It's a subtle attack, but it's happening.

The consumer electronics industry began feeling it in the 1960's and 10 years later Detroit's auto makers began feeling it.

The change they felt was importing and in the power tool industry the wave of importers is already taking shape.

Although Black & Decker still controls a hefty 32% of the estimated $2 billion domestic power tool market, importers from Europe and the Orient captured some 17% last year, and that percentage is expected to grow. In 1976, imports accounted for only 11% of the market.

Despite the inroads overseas marketers are making, especially at the high-end and professional levels, the consumer power tool market is slowing down. Research shows that because of its slowed growth rate it will take 10 years for the market to reach $4 billion in volume.

(Continued on page 82)

Overstocked roofing mfrs. forced to close 16 plants

NATIONAL REPORT—It's raining on roofing manufacturers and few are weathering it well.

This year alone some 16 major roofing plants have closed, representing a two million ton drop in capacity in an industry that has produced an estimated 9.6 million tons of shingling this year, according to the Asphalt Roofing Manufacturers Assn., Washington, and industry sources.

With winter coming on, more roofing plants are earmarked for closing and the future will remain cloudy as long as only 55% of the some 82 million squares of shingles being produced domestically are being sold.

Price erosion has been one major contributor to roofing manufacturer difficulties. One major contributor to this problem is Canada, which shipped

(Continued on page 82)

NEWSBREAKS

HOME CENTER EXECS TEAM UP. Former Lowe's managing director John A. Walker has formed a business consulting firm with Handy City and Handy Dan founder George Hanzi and Zayre executive Steve Herman. The new Atlanta-based company known as HWH.

RETAIL OUTPACES BUILDER SALES AT LOWE'S. Although overall sales dropped 8% and earnings were down 30% for the third fiscal quarter at Lowe's, sales to retail customers were up 10% during this period, which ended Oct. 31. At the same time, builder sales declined 23% at the North Wilkesboro, N.C.-based chain.

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$39M purchase makes Woolworth largest DIY retailer in England

LONDON—With its recent $39.6 million acquisition of the 32-unit Dodge City chain, F. W. Woolworth—known for its general merchandise and discount stores in the United States—has become England's largest DIY retailer.

The $6.1 billion Woolworth, based in New York, bought Dodge City through its B&Q subsidiary, a 49-unit home improvement chain it purchased for $32.7 million in August 1980.

The Dodge City agreement is still pending approval by England's Office of Fair Trading, but if it goes through, it will give Woolworth a total of 81 stores with 2 million sq. ft. doing over $157.6 million in sales on the British Isles.

In addition, "Woolies," as it is known here, will have national coverage, with Dodge City strong in Scotland, Wales and northeast England, and B&Q operating mainly in the country's Midlands and southern regions.

Dodge City founder Richard Northcott is expected to pocket about $33.5 million if the sale transpires. He said that Dodge City has been profitable this year, although industry sources claim that its leverage situation has been strained by recent borrowing to finance its expansion efforts.

Woolworth's increased commitment to DIY sales will only serve to intensify competition in the $3.94 billion British home center industry.

Chain's like Sainsbury's Homebase, Smith's Do-It-All, Mr. Stanley and Fads, and a host of other independents, will battle Woolworth for a home improvement market share that is estimated to grow at an annual rate of 5% in the next few years.

The industry overseas mirrors that in the United States in one major respect, though: chains are being gobbled up by larger corporations.

Even Roger Pedder, managing director for Dodge City, recently expressed a fear of this trend when he stated that "the danger lies in the eventual development of three or four huge chains, each with the same stock ranges, the same presentation and the same policies, competing only through price."

Brookhart Building Centers' Christmas department features artificial trees under the watchful eye of Santa, who also supervises the games and stuffed animals sold only at Christmas time. NHCN photo

Three-piece legislation suits housing industry

WASHINGTON—As part of a three-piece plan to aid the depressed housing industry, Sen. Richard Lugar (R-Ind.) has introduced a bill that would give the F.H.A. additional mortgage and loan authority.

The proposed legislation would enable the Federal Housing Authority to experiment with new financing techniques such as five-year rollover mortgages and five-year security to finance the mortgages. The bill would also allow F.H.A. to insure new condominiums on a per unit basis for both homeowners and investors, and permit the F.H.A. to expand its insurance of loans on inner-city and older houses.

Earlier, Senator Lugar introduced a bill that would amend barriers preventing private pension funds from investing in mortgages. The final bill of the package, the Thrift Restructing Act, is expected to be announced shortly by the Senator.

Electronic ornament sales seen as bright light of Yule season

NATIONAL REPORT—For about two months each year, tools, floor coverings and lumber must give up some ground to evergreens, reindeer and cherubic angels, as home centers from coast to coast transform part of their selling floors into their visions of Yuletide delight.

The hottest new trend in Christmas retailing this season is the electronic ornament fad, according to Natalie Baker, buyer for Chase-Pitkin, Rochester, who began her Christmas planning last February.

This year the 12-unit chain is carrying several electrical items, including computerized musical light sets. She expects to be "saturated" with Christmas electricals "in another season or two," resulting in slashed margins.

Tony Clark of Busy Beaver, Blawnox, Pa., said that his 31-store chain was "well stocked" with the new musical/light combination sets. One type carried by Busy Beaver is capable of playing 21 tunes in harmony with multicolored lights.

The most important item in any home center Christmas department is, of course, the Christmas tree. At Chase-Pitkin's western New York stores, a customer can find up to 10 sku's of 2-4-ft., table-top trees, priced at $2.99-$13.39 and up to 14 sku's of 5½-7 -½-ft. trees, priced up to $179.

The table top trees are the biggest sellers numerically, Baker said, although the larger trees generate much more dollar volume. Many customers are buying the table top trees as second trees, she said.

Chase-Pitkin features up to 126 sku's of ornaments, divided into 15 themes including Early American, Night Before Christmas, Heavenly Chorus (inspired by a display at the Metropolitan Museum of Art) and Mickey Mouse. Many of the themes are unique Chase-Pitkin creations, Baker said.

Listed by Baker as must items for a western New York Christmas department are a 6½-ft. promotional tree, icicles (tinsel), promotional miniature light sets (4-leg tree stands for

(Continued on page 81)

October permits hit 22-yr. low

WASHINGTON—Despite signs that high interest rates are abating, declines in new home starts continue to forecast a bleak future for the housing industry and its suppliers.

October's 387,000-unit rate for single-family housing permits, was the lowest since the Commerce Department began keeping statistics in 1959.

Regionally, the rate of new home starts in the South plunged to 379,000 units, a decline of 51% from October 1980 and a 20% drop from last month, based on the actual construction of 36,600 new homes.

In the Northeast, the rate of housing starts was 97,000, down by 13% from October 1980 and a 24% decline from September's figures, based on the actual construction of 10,500 new homes.

The sharp drops in the two regions offset 31% and 14% gains in the North Central and West, respectively, bringing the national rate down by 7% to 857,000 units, the lowest rate since the 843,000 of October 1966.

A dire perspective on the housing market was offered by Michael Sumichrast, chief economist of the National Assn. of Home Builders.

Asserting that the housing decline was not yet over, he said that the industry produced only 3.7 housing units per thousand of population in October.

"Every industrialized nation runs between seven and eight," he said, "and Japan is up to 14 units per thousand."

On the bright side, association president Herman J. Smith said that many interest rates are starting to fall, which should result in increased personal savings, a crucial source of home-loan money.

"If these trends continue it could set the stage for a rebound in housing production and home sales by the middle of next year," Smith said.

It was difficult to find any silver lining, however, in October's cloudy permit figures.

Single-family housing permits, in setting the new record low rate of 397,000 units, were down by 12% from last month and 52% from October 1980, based on the actual total issuance of 35,500 permits.

Housing permits fell to a rate of 729,000, down by 14% from last month and 46% from October 1980, based on 67,000 issued permits.

In the South, permits were down by 23% from September and 46% from October 1980. The Northeast showed a 7% improvement over last month but a 26% decline from October 1980.

October housing activity

Data for actual starts and permits;
Bold numbers in parentheses are seasonally adjusted annual rates

	STARTS			PERMITS		
	October Starts in 1,000's	% Change from September	% Change from October '80	October Permits in 1,000's	% Change from September	% Change from October '80
Northeast	10.5 **(97)**	−13.0 **(−24.0)**	−13.0 **(−13.0)**	9.9 **(103)**	+ 1.0 **(+ 7.0)**	−30.0 **(−26.0)**
North Central	18.7 **(158)**	+42.0 **(+31.0)**	−44.0 **(−44.0)**	12.1 **(114)**	− 1.0 **(+ 3.0)**	−54.0 **(−53.0)**
South	36.6 **(379)**	−14.0 **(−20.0)**	−51.0 **(−51.0)**	29.4 **(330)**	−26.0 **(−23.0)**	−48.0 **(−46.0)**
West	20.4 **(223)**	+21.0 **(+14.0)**	−38.0 **(−37.0)**	15.6 **(182)**	−20.0 **(−16.0)**	−51.0 **(−49.0)**
Total Housing	86.2 **(857)**	+ 2.0 **(− 7.0)**	−44.0 **(−44.0)**	67.0 **(729)**	−18.0 **(−14.0)**	−48.0 **(−46.0)**
Single Family	47.5 **(487)**	−19.0 **(−25.0)**	−51.0 **(−52.0)**	35.5 **(397)**	−14.0 **(−12.0)**	−54.0 **(−52.0)**

Source: Department of Commerce; NHCN chart

The rate of new single-family home building permits fell to 397,000 units in October, the lowest level on record since 1959. New home starts fell to the second lowest rate on record.

Kash named new executive editor

Kash

NEW YORK—Wyatt Kash, *NHCN* associate and lumber editor, has been promoted to executive editor.

Kash, a graduate of Syracuse University, where he received his bachelor's degree in journalism, has been on the *NHCN* staff since February of 1980 when he joined the publication as field editor.

Kash became the newspaper's lumber editor early in 1981.

INSIDE

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